

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Grosse Pointes-Clinton Refuse Disposal Authority</u>	County Macomb
Audit Date June 30, 2005	Opinion Date September 30, 2005	Date Accountant Report Submitted To State: December 29, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>Plante &amp; Moran, PLLC</b>			
Street Address 10 South Main Street, Suite 200	City Mt. Clemens	State MI	ZIP 48043
Accountant Signature 			

# **Grosse Pointes-Clinton Refuse Disposal Authority**

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**Financial Report  
with Additional Information  
June 30, 2005**

# **Grosse Pointes-Clinton Refuse Disposal Authority**

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## Independent Auditor's Report

To the Board of Directors  
Grosse Pointes-Clinton Refuse  
Disposal Authority

We have audited the accompanying basic financial statements of the Grosse Pointes-Clinton Refuse Disposal Authority as of June 30, 2005 and 2004 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Grosse Pointes-Clinton Refuse Disposal Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Grosse Pointes-Clinton Refuse Disposal Authority as of June 30, 2005 and 2004 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Grosse Pointes-Clinton Refuse Disposal Authority has not presented a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the management's discussion and analysis is necessary to supplement, although is not required to be a part of, the basis financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of operating revenue and expenses - budget and actual is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

September 30, 2005



A worldwide association of independent accounting firms

# Grosse Pointes-Clinton Refuse Disposal Authority

## Statement of Net Assets

	June 30	
	2005	2004
<b>Assets</b>		
Current assets:		
Cash (Note 2)	\$ 516,591	\$ 876,036
Accounts receivable	336,426	374,503
Land contract receivable - Current portion (Note 4)	707,833	675,137
Other current assets	-	3,451
Total current assets	1,560,850	1,929,127
Other assets - Land contract receivable - Net of current portion (Note 4)	-	591,539
Total assets	1,560,850	2,520,666
<b>Liabilities</b> - Current liabilities - Accounts payable	160,387	189,448
<b>Net Assets</b> - Unrestricted	<u>\$ 1,400,463</u>	<u>\$ 2,331,218</u>

# Grosse Pointes-Clinton Refuse Disposal Authority

## Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2005	2004
<b>Operating Revenue</b>		
Billings from constituent municipalities	\$ 1,737,916	\$ 2,023,133
Other	20,097	44,284
Total operating revenue	1,758,013	2,067,417
<b>Operating Expenses</b>		
Fringe benefits	9,225	10,592
Utilities	-	37
Refuse disposal	1,656,339	1,927,562
General insurance	25,556	24,751
Professional services	50,138	61,178
Other	29,581	15,319
Total operating expenses	1,770,839	2,039,439
<b>Operating Income (Loss)</b>	(12,826)	27,978
<b>Nonoperating Revenue</b>		
Interest on investments	85,461	118,891
MERS pension overfunding refund	726,535	-
Total nonoperating revenue	811,996	118,891
<b>Distributions to Constituent Municipalities</b>	(1,729,925)	-
<b>Change in Net Assets</b>	(930,755)	146,869
<b>Net Assets - Beginning of year</b>	2,331,218	2,184,349
<b>Net Assets - End of year</b>	<u><u>\$ 1,400,463</u></u>	<u><u>\$ 2,331,218</u></u>

# Grosse Pointes-Clinton Refuse Disposal Authority

## Statement of Cash Flows

	Year Ended June 30	
	2005	2004
<b>Cash Flows from Operating Activities</b>		
Payments from municipalities	\$ 1,796,089	\$ 2,121,352
Proceeds from MERS pension overfunding refund	726,535	-
Payments to vendors and employees	<u>(1,796,449)</u>	<u>(2,079,377)</u>
Net cash provided by operating activities	726,175	41,975
<b>Cash Flows from Investing Activities</b> - Interest received	85,461	118,891
<b>Cash Flows from Noncapital and Related Financing Activities</b> - Distributions to constituent municipalities	(1,729,925)	-
<b>Cash Flows from Capital and Related Financing Activities</b> - Proceeds from land contract	<u>558,844</u>	<u>573,324</u>
<b>Net Increase (Decrease) in Cash</b>	(359,445)	734,190
<b>Cash</b> - Beginning of year	<u>876,036</u>	<u>141,846</u>
<b>Cash</b> - End of year	<u><b>\$ 516,591</b></u>	<u><b>\$ 876,036</b></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>		
Operating income (loss)	\$ (12,826)	\$ 27,978
Proceeds from MERS pension overfunding refund	726,535	-
Adjustments to reconcile operating income (loss) to net cash from operating activities - Changes in assets and liabilities:		
Decrease in accounts receivable	38,076	53,935
(Increase) decrease in other current assets	3,451	(148)
Decrease in accounts payable	<u>(29,061)</u>	<u>(39,790)</u>
Net cash provided by operating activities	<u><b>\$ 726,175</b></u>	<u><b>\$ 41,975</b></u>

# **Grosse Pointes-Clinton Refuse Disposal Authority**

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## **Notes to Financial Statements June 30, 2005 and 2004**

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Grosse Pointes-Clinton Refuse Disposal Authority (the "Authority") conform to accounting principles as applicable to enterprise funds of governmental units. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

#### **Reporting Entity**

The Authority was organized, under provisions of Act 179 of the Public Acts of Michigan of 1947, on August 16, 1962 by action of the city councils of the Cities of Grosse Pointe Farms, Grosse Pointe Park, and Grosse Pointe and the township board of Clinton Township for the purpose of disposing refuse. The Authority was later expanded to include the Village of Grosse Pointe Shores and the Cities of Mount Clemens, Grosse Pointe Woods, and Harper Woods. Each constituent municipality has one director on the board of directors, with the exception of Clinton Township, which has two. The Authority currently operates under a 15-year agreement with a disposal company, expiring March 2014, whereby the disposal company disposes of the refuse for the eight member communities and bills the Authority. The Authority bills each community for their share of the disposal costs plus a \$1 per ton administrative fee.

**Basis of Accounting** - The accrual basis of accounting is used by the Authority. The Authority follows all pronouncements of the Governmental Accounting Standards Board and those pronouncements of the Financial Accounting Standards Board issued prior to November 30, 1989.

**Operating Revenue** - Operating revenue represents fees charged to constituent municipalities.

**Landfill Closure Costs** - The Authority does not own or operate a municipal solid waste landfill and, therefore, has no liability for closure and postclosure care costs.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.



# Grosse Pointes-Clinton Refuse Disposal Authority

## Notes to Financial Statements June 30, 2005 and 2004

### Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Authority is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had \$300,444 of bank deposits (checking accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Custodial Credit Risk of Investments** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name:

Type of Investment	Carrying Value	How Held
Sweep account	\$ 219,203	Counterparty's trust department

# Grosse Pointes-Clinton Refuse Disposal Authority

## Notes to Financial Statements June 30, 2005 and 2004

### Note 2 - Deposits and Investments (Continued)

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Sweep account	\$ 219,203	AAA	Moody's

### Note 3 - Retirement System

As of February 28, 2002, the Authority no longer retained employees. The most recent actuarial valuation is as of December 31, 2002. No actuarial valuations were performed subsequent to December 31, 2002. During the year ended June 30, 2005, the Authority received a refund related to the overfunding in the plan totaling \$726,535, which was subsequently refunded to the constituent municipalities.

#### Plan Description

The Authority contributed to the Michigan Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covered all employees of the Authority. The MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MERS issues a publicly available financial report that includes financial statements and required supplementary information for the MERS. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

#### Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Authority's competitive bargaining unit and required a contribution from the employees of 6 percent.

# Grosse Pointes-Clinton Refuse Disposal Authority

## Notes to Financial Statements June 30, 2005 and 2004

### Note 3 - Retirement System (Continued)

#### Annual Pension Cost

For the fiscal year ended June 30, 2005, the Authority's annual pension cost was equal to the Authority's required and actual contribution, all of which were zero. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return (4.5 percent due to inflation), (b) projected salary increases of 4.5 percent per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0 percent to 4.16 percent per year attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5 percent per year (annually) after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. Normally, the unfunded actuarial liability is amortized as a level percentage of payroll on a closed basis; however, since the plan is overfunded, this has not been necessary.

#### Three-year Trend Information

	Fiscal Year Ended June 30		
	2005	2004	2003
Annual pension cost (APC)	\$ -	\$ -	\$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Valuation Year Ended December 31		
	2002	2001	2000
Actuarial value of assets	\$ 3,627,863	\$ 3,644,316	\$ 3,447,464
Actuarial Accrued Liability (AAL)			
(entry age)	\$ 2,294,897	\$ 1,898,861	\$ 1,844,167
Overfunded AAL (UAAL)	\$ 1,332,966	\$ 1,745,455	\$ 1,603,297
Funded ratio	158%	192%	187%
Covered payroll	\$ -	\$ 107,523	\$ 108,368
UAAL as a percentage of covered payroll	- %	- %	- %

# **Grosse Pointes-Clinton Refuse Disposal Authority**

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## **Notes to Financial Statements June 30, 2005 and 2004**

### **Note 4 - Land Contract Receivable**

During the year ended June 30, 2003, the Authority sold 103 acres of land in Lenox Township for \$2,340,000, before payment of \$80,000 of selling expenses. As part of the sale agreement, the Authority entered into a land contract agreement totaling \$1,840,000, with interest at 8.0 percent and monthly payments of \$62,673 to be collected through 2006.

### **Note 5 - Contingencies**

The Authority recognizes liabilities for environmental remediation costs when such obligations are probable and reasonably estimable. As of June 30, 2005, the Authority is not aware of any environmental contamination.

## **Additional Information**

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# Grosse Pointes-Clinton Refuse Disposal Authority

## Statement of Operating Revenue and Expenses Budget and Actual Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenue</b>				
Billings from constituent municipalities	\$ 2,050,000	\$ 1,835,000	\$ 1,737,916	\$ (97,084)
Other	-	11,000	20,097	9,097
Total operating revenue	<u><u>\$ 2,050,000</u></u>	<u><u>\$ 1,846,000</u></u>	<u><u>\$ 1,758,013</u></u>	<u><u>\$ (87,987)</u></u>
<b>Operating Expenses</b>				
Fringe benefits	\$ 10,000	\$ 10,000	\$ 9,225	\$ 775
Refuse disposal	1,950,000	1,750,000	1,656,339	93,661
Maintenance - Building and grounds	10,000	16,000	17,268	(1,268)
Advertising	7,000	7,000	7,558	(558)
Office supplies	1,500	1,400	901	499
General insurance	25,000	25,556	25,556	-
Engineering	12,000	-	-	-
Professional services	69,500	69,500	50,138	19,362
Membership dues	700	700	700	-
Other	-	1,000	3,154	(2,154)
Total operating expenses	<u><u>\$ 2,085,700</u></u>	<u><u>\$ 1,881,156</u></u>	<u><u>\$ 1,770,839</u></u>	<u><u>\$ 110,317</u></u>